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Australia

Trade Policy Monitoring

Government Announces Safeguard Inquiry into Imports of Pig Meat

2007

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Report Highlights:

The Federal Treasurer, the Minister for Trade and the Minister for Agriculture announced on October 17, 2007 a 'safeguards inquiry' into the impact of imports of pig meat on the Australian pork industry. The inquiry will be undertaken by the Productivity Commission and will also examine structural adjustment that has been occurring recently in the industry. The Commission has been asked to provide an accelerated report examining whether critical circumstances exist to justify provisional safeguard measures by December 14, 2007 with a final report due by the end of March 2008.

Includes PSD Changes: No
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The federal Treasurer, the Minister for Trade and the Minister for Agriculture, announced on October 17, 2007 a 'safeguards inquiry' into the impact of imports of pig meat on the Australian pork industry. The Productivity Commission will undertake the inquiry which will also examine more broadly structural adjustment that has been occurring recently in the industry.

The WTO safeguards agreement allows members to introduce 'safeguard' measures. Safeguards may be used to respond to unexpected and unforeseen increased imports which have caused serious material injury to the relevant domestic industry should an investigation by a competent authority report such measures are justified.

In accordance with the procedures notified to the WTO in 1998, the Australian Government has nominated the Productivity Commission to be Australia's competent authority to investigate whether safeguard measures are justified under WTO rules. The Commission will conduct the inquiry in accordance with Australia's safeguards procedures, which have been notified to the WTO.

The Commission has been asked to provide an accelerated report examining whether critical circumstances exist to justify provisional safeguard measures. The Commission is to provide the accelerated report to the Government by December 14, 2007 with a final report due by the end of March 2008.

The Commission will seek expressions of interest from parties wishing to participate in the inquiry. All interested parties are invited to make a submission. To register an interest in the inquiry or to find out more, details are available from the Commission at www.pc.gov.au.

Source: Farm Online and others

Text of the Terms of Reference

The following terms of reference were received by the Commission on October 17, 2007.

PRODUCTIVITY COMMISSION ACT 1998

I, Peter Costello, Treasurer, pursuant to Parts 2 and 3 of the Productivity Commission Act 1998, request the Productivity Commission to undertake an inquiry into the question of whether safeguard action is warranted against imports of meat of swine, frozen, falling within tariff subheading 0203.29 of the Australian Customs Tariff.

The inquiry is to be undertaken in accordance with the World Trade Organization (WTO) safeguard investigation procedures published in the Gazette of S297 of 25 June 1998, as amended by GN39 of 5 October 2005.

The Commission is to report on:

- whether conditions are such that safeguard measures would be justified under the WTO Agreements;
- if so, what measures would be necessary to prevent or remedy serious injury and to facilitate adjustment; and
- whether, having regard to the Government's requirements for assessing the impact of regulation which affects business, those measures should be implemented.

In undertaking the inquiry, the Commission is to consider and provide an accelerated report on whether critical circumstances exist where delay in applying measures would cause

damage which it would be difficult to repair. If such circumstances exist, and pursuant to a preliminary determination that there is clear evidence that increased imports have caused or are threatening to cause serious injury, the Commission is to recommend what provisional safeguard measures (to apply for no more than 200 days) would be appropriate.

In addition, the Commission is to have regard to the work being undertaken by the Cooperative Research Centre for an internationally competitive pork industry (Pork CRC) and examine and report on whether:

- there have been any changes that have taken place in the structure or operating methods of the industry since the Commission's August 2005 inquiry into the Australian Pigmeat Industry; and
- there are any immediate actions that could be taken to complement the work of the Pork CRC to alleviate the impact of changes in the price and availability of feed grains.

The Commission is to provide the accelerated report to the Government by 14 December 2007 and a final report by the end of March 2008. The reports will be published as soon as practicable.

The Commission is to consult widely, hold hearings and call for submissions for the purpose of the inquiry.

PETER COSTELLO

End Text.

In response, Australian Pork Limited issued a press release on October 18, the text follows:

Begin Text.

Australian Pork Industry Welcomes Productivity Commission Inquiry

Australian Pork Limited (APL) has welcomed yesterday's announcement by the Australian Government that the Productivity Commission (PC) will undertake a safeguards inquiry into the impact of imports of pig meat on the Australian pork industry.

Australian Pork Limited's CEO, Andrew Spencer said today, Australian producers are caught in a vicious cost price squeeze with record levels of imports acting to suppress farm gate prices. Compounding this is the continued upward spiral of feed grain costs as a direct result of the drought. No industry can continue to operate under those circumstances.

"To put this into perspective 110,000 tonnes of frozen pork (equivalent to approx 3.1 million pigs per annum) was imported, in 2006-2007, thereby displacing local pork in the ham, bacon and smallgoods markets. This amount of frozen pig meat is equivalent to 5kgs of pork for every Australian man, woman and child," Mr Spencer said.

In recent years the industry has made significant progress in increasing sales of domestic fresh pork as well as in reducing its costs of production. However with this surge of imports, all of these benefits are being undermined which has left the industry in a precarious position.

"I'm sure Australian consumers would be shocked to know that approximately 70 percent of all ham, bacon and smallgoods sold in Australia come from imported pig meat."

Mr. Spencer said, Australia's pork industry is one of the top 10 pork exporters in the world. The industry is not afraid of competition, however the current operating environment experienced by Australian pork producers is not sustainable.

"In this situation access to Provisional Safeguards (allowable under World Trade Organization (WTO) guidelines) has been sought to try and stem the flow of these record levels of imports.

"The terms of reference for the inquiry are concise as well as focused and in view of the severity of the situation, require a preliminary report to be delivered to the Federal Government by the 14th December with a final report by the end of March 2008."

End Text.

Source: Australian Pork Limited

Previous Safeguards Inquiry (1998)

In 1998, a similar safeguards inquiry was carried out after there was a surge in imports from Canada in 1996 following the opening of the market to chilled Canadian product and high domestic prices due to drought. Processors who had previously been using only domestic products began to use increasing amounts of imported product because it was cheaper.

The Commission found that for the first half of 1998, the loss of market share, decline in price and reduced profitability recorded by the industry constituted serious injury in terms of the WTO Safeguards Agreement.

The industry suggested that an appropriate measure would be to set a quota of 4,000 MT for four years. However, the Commission did not consider that safeguard measures which would reduce imports to such a low level would be appropriate because the industry had already made significant progress towards operating in a more open trading environment and turning the clock back to a time before imports and exports increased would not help further that process. The Commission considered that, if safeguard measures were to be used, an ad valorem tariff would be a more appropriate.

As the Terms of Reference for the inquiry did not confine "measures" to safeguard measures, the Commission was of the view that remedying injury and facilitating adjustment was better targeted by a combination of direct assistance to those forced to leave the industry and appropriate short-term assistance to facilitate an expansion in export capacity, a reduction in the impediments to exporting, and market development. Given that initiatives by the industry to promote adjustment were already in place and being supported by Government assistance the Commission felt that this was the best way to remedy the situation and it was the eventual remedy adopted by the Government.

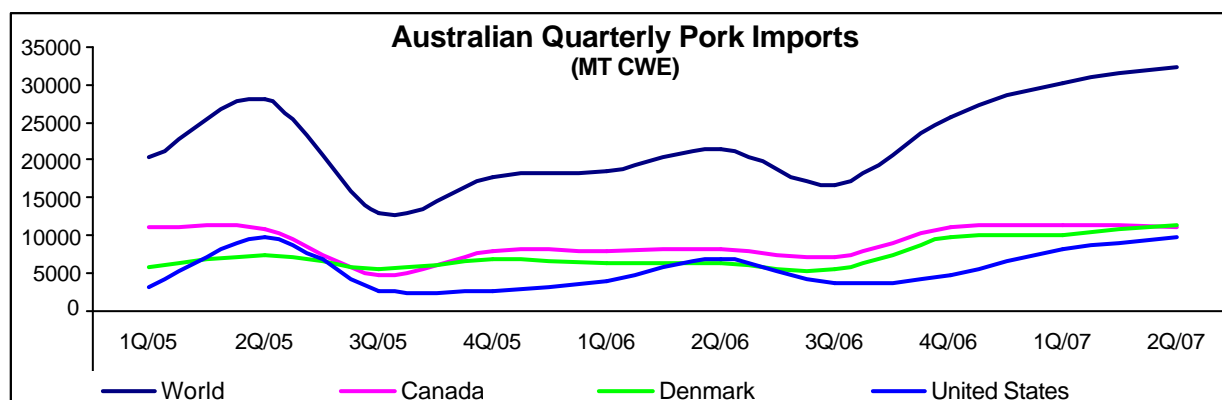
Source: Australian Productivity Commission

Australian Imports of Pig Meat

Since access was first granted for U.S. pork to enter Australia in late 2004, imports have risen quickly and in 2006 the U.S. accounted for 23% of total imports (see table below). Imports from the U.S. in the first half of 2007 have increased by 63% over the previous year and the U.S. share of the total has risen to 25%. All imports from the U.S. fall into the tariff code (0203.29) being examined by the safeguards inquiry.

Australia Import Statistics Pig Meat (shipped weight)						
Calendar Year: 2004 – 2006						
Partner Country	2004		2005		2006	
	Value (US\$)	Quantity (MT)	Value (US\$)	Quantity (MT)	Value (US\$)	Quantity (MT)
World	175,888,125	61,593	232,989,066	79,014	242,959,237	82,342
Canada	83,089,438	33,917	97,133,513	34,482	97,362,476	34,793
Denmark	89,012,970	26,691	82,186,813	25,360	90,220,534	27,557
United States	1,264,195	377	51,021,576	18,553	51,997,582	19,208
Netherlands	2,324,676	537	2,354,715	510	2,569,095	524
China	52,900	29	65,528	51	292,833	192
Spain	0	0	0	0	287,957	6
Australia	6,889	1	24,602	14	95,492	41
Taiwan	39,573	4	91,149	13	64,011	6
Germany	0	0	91,933	26	51,247	9
Poland	0	0	997	0	18,010	6
Serbia and Montenegro	0	0	18,240	5	0	0
New Zealand	97,484	37	0	0	0	0

Source: Global Trade Atlas



Note: Post uses a conversion factor of 1.25 to convert shipped weight to carcass weight equivalent.
Source: Global Trade Atlas

Comments: The Australian pork industry has historically sought methods to restrict import competition. In 1992, at the urging of the industry, the Australian Customs Service conducted an inquiry into dumping and subsidization of Canadian pork, which found no injury from imports. Similarly, a 1995 Industry Commission inquiry found little influence of imported pork on domestic pig prices. As mentioned above, in 1998, the Productivity Commission conducted a formal safeguard inquiry regarding pork imports. The Commission found injury, but recommended against any safeguard action. In 2004, a Productivity Commission study looked into economic difficulties in the industry and found that declining industry profitability and market share (vis-à-vis imports) reflected lower pig prices in competitor markets, high feed prices due to the drought and an appreciating Australian dollar (conditions very similar to current conditions). The Commission also warned that restricting

imports would increase pork prices for consumers, retailers and manufacturers, and would blunt incentives for pig producers and processors to adjust to the market environment.

Article 9.5 of the U.S.-Australia Free Trade Agreement states that each party retains its rights and obligations under Article XIX of GATT 1994 and the Safeguards Agreement. This Agreement does not confer any additional rights or obligations on the Parties with regard to global safeguard measures, except that a Party taking a global safeguard measure may exclude imports of an originating good from the other Party if such imports are not a substantial cause of serious injury or threat thereof.

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AS7058	Export Wheat Commission Established	10/15/07
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AS7056	Biosecurity Australia – Transitional Arrangements for Import Work Program	10/09/07
AS7055	October Grain Lockup	09/28/07
AS7054	Ag Down Under Vol. 10, 2007	09/21/07
AS7053	Livestock Annual	09/20/07
AS7050	Ag Down Under Vol. 9, 2007	08/31/07
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AS7043	Exporter Guide	08/15/07
AS7042	Ag Down Under Vol. 8, 2007	08/06/07
AS7041	Grain Quarterly Update	08/01/07